

You've made the big decision to buy your first home. Now what happens? Preparing yourself with the right information is the first step towards buying your dream home.

Our Home Finance Managers are here to help you every step of the way. From helpful tips for saving your deposit to understanding how much you can borrow and what your repayments could be. They can also help you understand what you need to consider when looking for a property, what happens when you find the one, and what to expect through the settlement process.

Understanding home loans.

There are many things to consider in the home buying process. A good place to start is understanding some of the key terms you're likely to come across.



Contract of sale.

This is the legal document that sets out the terms and conditions agreed between the buyer and seller.



Stamp duty.

A state and territory government tax based on the purchase price of the property. As it's paid to the state or territory, the amount will vary depending on where you're located as well as on the price of the property and other factors such as whether you're a first home buyer or an investor.



Comparison rate.

A tool to help you understand the true cost of a loan and is used to compare loans from different lenders. It is represented by a single percentage rate which factors in the interest rate, fees and charges relating to the loan.



Fixed interest rate.

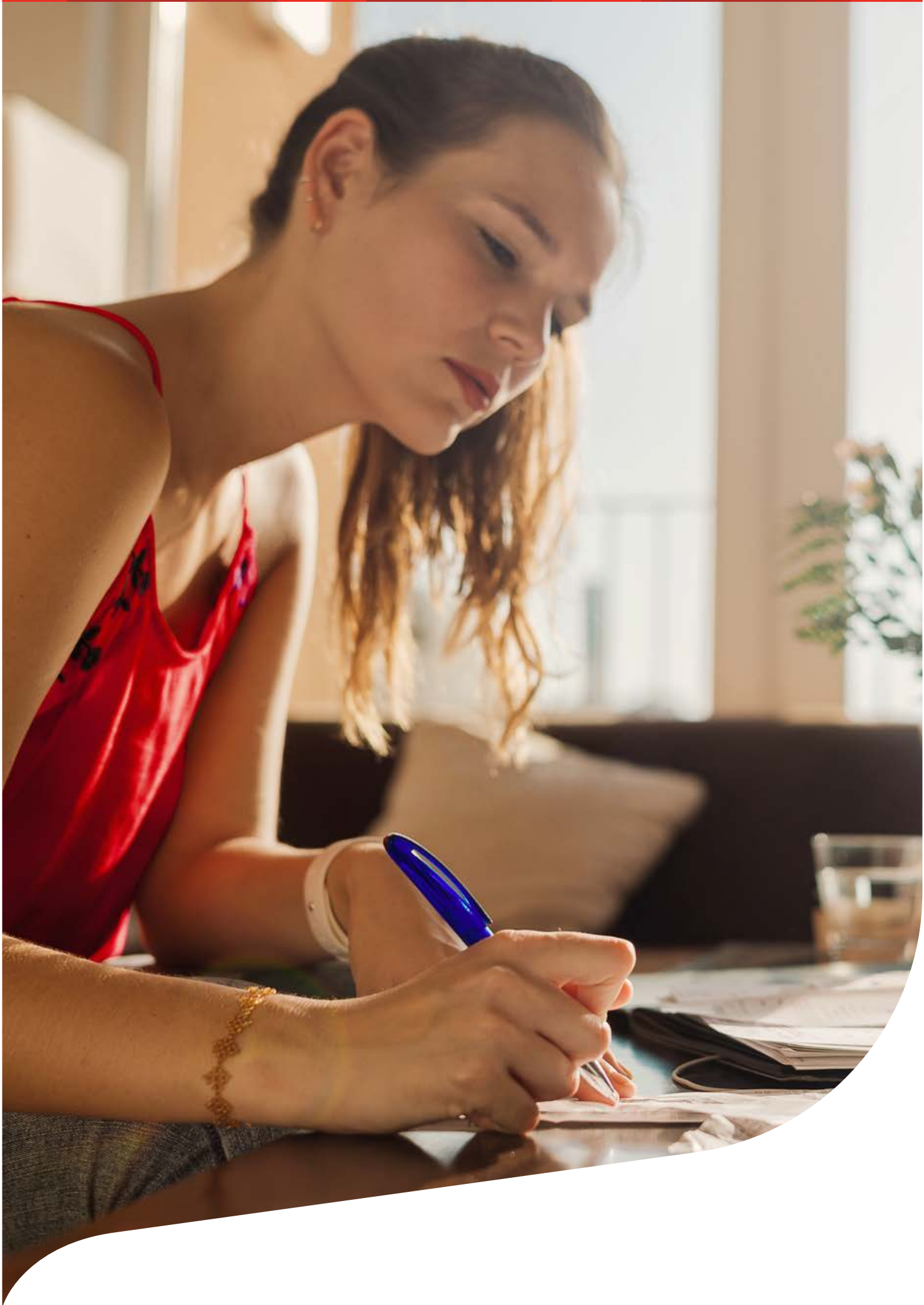
An interest rate that does not change for a set period of time. This type of interest rate may suit the type of borrowers who like certainty with their regular repayments throughout the fixed term.



Variable interest rate.

An interest rate which moves in response to market interest rate changes. This means the loan repayment could change during your loan term. This type of interest rate may suit the type of borrowers who prefer flexibility with their regular repayments throughout the term.

Visit the glossary on our website for more financial terminology you may encounter on your home buying journey.



Saving for a deposit and upfront costs.

Generally you would require a 20% deposit of the purchase price of the property.

If you have started saving but still have less than a 20% deposit, there are a number of options available that could help you buy a property sooner.



Lenders Mortgage Insurance (LMI).

If your deposit is less than 20%, you may need to pay what's called Lenders Mortgage Insurance, which enables you to borrow a larger percentage of the purchase price. With Lenders Mortgage Insurance, the lender is protected against the risk of the borrower defaulting on the loan, which means you may be able to apply for a home loan with less than a 20% deposit. This can be included in either in your upfront costs or in your loan repayments so that it's spread out over the term of the loan.

Examples of thresholds for Lenders Mortgage Insurance.

Property purchase price	Minimum Deposit %		
	LMI not required	LMI required	
	20%	10%	5%
\$600,000	\$120,000	\$60,000	\$30,000
\$500,000	\$100,000	\$50,000	\$25,000
\$400,000	\$80,000	\$40,000	\$20,000
\$300,000	\$60,000	\$30,000	\$15,000



Parental Guarantee.

This means your parents may be able to help you access the property market by taking advantage of the equity in their home. This option allows you to reduce the **loan to value ratio** (LVR), or even eliminate the need to pay Lenders Mortgage Insurance.

Benefits for the borrower.

- Helps to reduce or avoid Lenders Mortgage Insurance, saving you money.
- Helps you access the market sooner.
- Maximise the amount you can borrow - up to 100% of the purchase price plus costs such as stamp duty and legal fees.
- Get help from your parents without having to ask them for cash to contribute to your deposit.

Benefits for the guarantor.

- You can act as a guarantor whether your loan is with Westpac or with another financial provider.
- You can nominate a specific amount that you're comfortable to contribute as security for your child's loan.
- You can be released when the borrower's loan to value ratio is reduced to the required level.
- You can help your children buy a home without having to give them cash.

Risks for the Guarantor.

The guarantor should consider the risks associated with Parental Guarantee, primarily that if the borrower defaults on their loan, the guarantor is liable to pay up to the maximum of the portion of security they have put forward as a guarantee. Westpac recommends guarantors obtain independent legal advice.



An example of Parental Guarantee.

David is planning to purchase a

\$500k
property with a

\$25k
deposit (LVR of 95%)

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Lenders Mortgage Insurance would be payable due to the high LVR for this loan.

If David's parents have enough equity in their home, they could provide a **Parental Guarantee** of **\$75k** as additional security on the loan

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Reducing David's LVR to 80%.

This scenario would mean David can avoid paying Lenders Mortgage Insurance, **saving him up to \$15.2k**



Upfront costs.

In addition to the deposit, you will need to consider other upfront costs involved in buying a property which may include:



Government fees including stamp duty.



Conveyancing and legal costs.



Building and pest inspections.



Title search and registration fees.



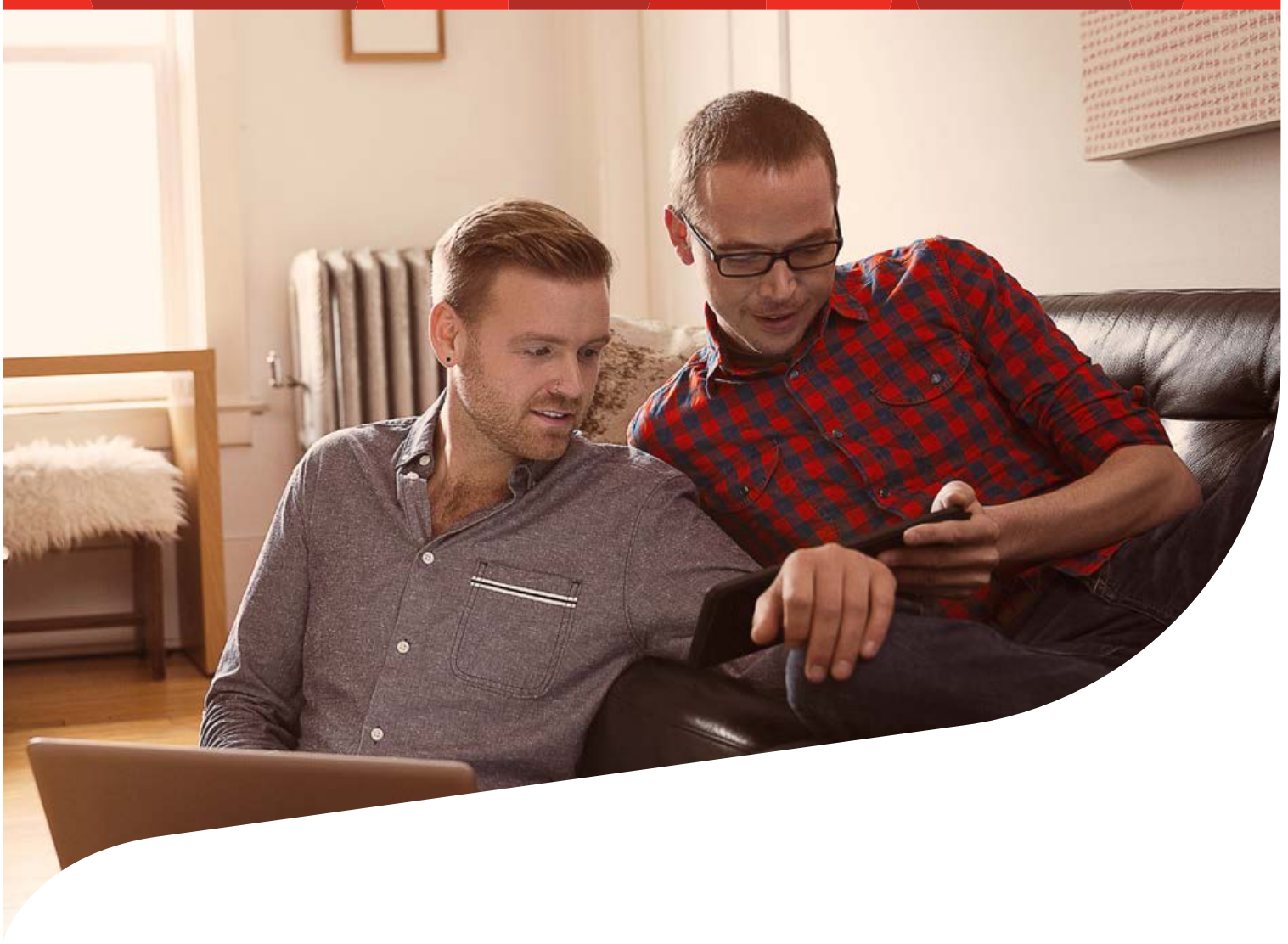
Home insurance prior to settlement, and possibly contents insurance when you move in.



Westpac tip:

As a first home buyer, you may be eligible for the First Home Owner Grant scheme (FHOG). These are government assistance programs that offer first home buyers incentives to access the property market. This can include financial assistance in the form of stamp duty concessions.

For the latest state-based information, speak to your Home Finance Manager or visit [firsthome.gov.au](https://www.firsthome.gov.au)



Know your budget.

Making a budget is an important part of the buying process. Understanding how much you can borrow and what your repayments would be can help you plan for success.

You will also need to consider how much money you need for every day living expenses and other financial commitments. Your Home Finance Manager can help you to be confident with your plans, every step of the way.

Researching the market.

It's a great idea to research the property market and the areas you are considering.

This initial groundwork can help you narrow your property search and make you a more confident buyer. A few important factors to consider may include:



Proximity to the CBD.



Public transport options.



Parks and recreational grounds.



Schools and shopping centres.

Our Home Finance Managers can assist you with essential reports such as Suburb Reports and Property Reports to equip you with information you may find useful during your search.

Property Reports and Guides: While such material is published with permission, Westpac is not responsible for its accuracy or completeness.




Approval in Principle.

To give you a clear indication of how much you can borrow, with the help of your Home Finance Manager you are able to obtain an Approval in Principle. This allows you to look for properties and narrow your search with confidence as you will:

- Know the maximum amount you'll be able to borrow and what deposit you may need.
- Be perceived as a serious buyer by a real estate agent.

Once an Approval in Principle is given, it is **valid for 90 days from when it is approved**. However, if you don't find a property within this period, you may renew the certificate for a further 90 days by confirming your financial circumstances haven't changed.



It's such a great feeling when you finally find the property you want to buy and call home.

Before you rush to make an offer or attend the auction, make sure you are completely confident with your decision by doing all the final property checks. Your Home Finance Manager can help by providing Property Reports for the property you are looking at.



Research the property.

Always look at the property closely and make sure it meets your needs.

It is also a good idea to look at comparable properties in the area. Understanding what properties are in demand and what they have sold for can help you negotiate the sales process with confidence. Ask your Home Finance Manager about specific property reports which generally include estimated valuation and rental estimates, property history and other property attributes.

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Pre-purchase considerations.

Before you commit to anything, it's essential you've done your homework. Here are a few of the most important things to cover off:



Contract of sale.

Ensure a copy of the Contract has been reviewed by your solicitor/conveyancer.



Cooling-off period.

Talk to your solicitor/conveyancer to be sure you understand the conditions of the sale. Most states have a cooling off period, except for sales at auction which generally do not have a cooling off period.



Building and pest inspection.

If you want to conduct any building and/or pest inspections, talk to your real estate agent to arrange a time for these inspections to be conducted to ensure the property is in the condition as specified in the strata report and/or contract. A professional inspector can help identify hidden issues such as structural damage and termites - and determine how they may affect the property over time.



Zoning changes and proposed developments.

Double-check your chosen area's zoning and whether it could be impacted by proposed developments that may affect your property long term. You may also need to identify the flood or fire risk for a property. This information can generally be found on the local council website.




Protecting yourself.

It is important to consider protecting your property with home and contents insurance. There are also Landlord insurance options should you buy an investment property. Your Home Finance Manager can help you understand some of the options available to you and also advise of any insurances you may require prior to settlement. There are different types of insurances depending on your needs to ensure you are protected, so be sure to consider the options and choose what is right for you.

Choosing the right home loan.

We understand that one size does not fit all. That's why we have a wide range of home loan options offering you flexibility, certainty and peace of mind.

An important factor when choosing a home loan is to consider whether you would prefer a variable or fixed interest rate or the best of both worlds. Your Home Finance Manager will provide you with the options to help you understand the benefits and make the right decision.



It may seem your search will never end, but one day you'll find your ideal property. The days of open home inspections and hunting through real estate listings could finally be over.

Understanding the final stages of buying is essential – how to make an offer, what happens after your offer has been accepted and what you need to do to finalise your home loan and complete the settlement process. It is a good idea to engage a solicitor/conveyancer to help you navigate this part of the process.

Making an offer.

Before you consider making an offer, it's important to speak to your Home Finance Manger to ensure your Approval in Principle is still valid.

Once you're ready to make an offer on a property, you'll find there are two main types of sales.

1.

Auction:

To express your interest as a potential buyer, you will be required to register as a bidder on the day of auction.

If you make the winning bid, you will be required to sign the contract and pay a deposit, generally this is 10% of sale price, on the day.

2.

Private sale:

You negotiate the sale price with the seller. This is often done through the real estate agent and the negotiation process can take days or weeks.



Finalise your finances.

Once your offer has been accepted, we will need to finalise your home loan application and complete a property valuation.

There are a number of documents required to formalise your loan approval and subsequently make a formal loan offer to you. Your Home Finance Manager will be able to help you understand this process and finalise your home loan application.

Ahead of settlement.

This is the home stretch! Property settlement is the legal process to transfer ownership of the property from the seller to the buyer and is facilitated by your legal and financial representatives and those of the seller.

The 'settlement period', from when you sign the contract to when settlement is finalised, is generally 6 weeks, however, it can vary from 4-12 weeks depending on the agreement.



This is a great time to prepare yourself for your new property including organising:



Home insurance.



Speaking with utility providers (gas, electricity, internet etc).



Completing the final inspection of the property prior to settlement day.



Confirming the details of your settlement.



Settlement.

Settlement day is a big milestone as this is the day you become the owner of your new property.

Generally, the legal and financial representatives will meet on behalf of you and the seller to finalise the transfer of property ownership. Once this has been completed, you will be the owner of your first property. Congratulations, it's time to pick up the keys.

